

**Kelly Ridge Estates Owners' Association**  
**Balance Sheet**  
As of March 31, 2017

|                                       | <u>Mar 31, 17</u>        | <u>Feb 28, 17</u>        | <u>\$ Change</u>       | <u>% Change</u>     |
|---------------------------------------|--------------------------|--------------------------|------------------------|---------------------|
| <b>ASSETS</b>                         |                          |                          |                        |                     |
| <b>Current Assets</b>                 |                          |                          |                        |                     |
| <b>Checking/Savings</b>               |                          |                          |                        |                     |
| BANK OF WEST CHECKING 128003688       | 35,922.14                | 27,159.84                | 8,762.30               | 32.26%              |
| BK OF WEST UNIT 7 SAVINGS *3688       | 31,680.27                | 31,680.27                | -                      | 0.0%                |
| BoW Money Market Sav. *8113           | 75,159.48                | 75,159.48                | -                      | 0.0%                |
| <b>Total Checking/Savings</b>         | <u>142,761.89</u>        | <u>133,999.59</u>        | <u>8,762.30</u>        | <u>6.54%</u>        |
| <b>Accounts Receivable</b>            |                          |                          |                        |                     |
| <b>ACCOUNTS RECEIVABLE</b>            |                          |                          |                        |                     |
| ACCOUNTS RECEIVABLE DUES              | 9,059.00                 | 11,235.50                | (2,176.50)             | -19.37%             |
| ACCOUNTS RECEIVABLE WEED CUTTING      | 2,625.00                 | 2,800.00                 | (175.00)               | -6.25%              |
| LIENS RECEIVABLE                      | 10,087.00                | 10,087.00                | -                      | 0.0%                |
| ACCOUNTS RECEIVABLE - Other           | 405.00                   | 405.00                   | -                      | 0.0%                |
| <b>Total ACCOUNTS RECEIVABLE</b>      | <u>22,176.00</u>         | <u>24,527.50</u>         | <u>(2,351.50)</u>      | <u>-9.59%</u>       |
| <b>Total Accounts Receivable</b>      | 22,176.00                | 24,527.50                | (2,351.50)             | -9.59%              |
| <b>Other Current Assets</b>           |                          |                          |                        |                     |
| Prepaid Postage                       | 75.62                    | 87.53                    | (11.91)                | -13.61%             |
| UNDEPOSITED FUNDS                     | 0.00                     | 1,770.00                 | (1,770.00)             | -100.0%             |
| <b>Total Other Current Assets</b>     | <u>75.62</u>             | <u>1,857.53</u>          | <u>(1,781.91)</u>      | <u>-95.93%</u>      |
| <b>Total Current Assets</b>           | 165,013.51               | 160,384.62               | 4,628.89               | 2.89%               |
| <b>Fixed Assets</b>                   |                          |                          |                        |                     |
| Furniture, fixtures, & equip          | 708.23                   | 708.23                   | 0.00                   | 0.0%                |
| <b>Total Fixed Assets</b>             | <u>708.23</u>            | <u>708.23</u>            | <u>0.00</u>            | <u>0.0%</u>         |
| <b>TOTAL ASSETS</b>                   | <u><u>165,721.74</u></u> | <u><u>161,092.85</u></u> | <u><u>4,628.89</u></u> | <u><u>2.87%</u></u> |
| <b>LIABILITIES &amp; EQUITY</b>       |                          |                          |                        |                     |
| <b>Liabilities</b>                    |                          |                          |                        |                     |
| <b>Long Term Liabilities</b>          |                          |                          |                        |                     |
| UNIT 7 RESERVE ACCOUNT                | 31,679.49                | 31,679.49                | -                      | 0.0%                |
| <b>Total Long Term Liabilities</b>    | <u>31,679.49</u>         | <u>31,679.49</u>         | <u>-</u>               | <u>0.0%</u>         |
| <b>Total Liabilities</b>              | 31,679.49                | 31,679.49                | -                      | 0.0%                |
| <b>Equity</b>                         |                          |                          |                        |                     |
| Unrestricted Net Assets               | 109,956.58               | 109,956.58               | -                      | 0.0%                |
| Net Income                            | 24,085.67                | 19,456.78                | 4,628.89               | 23.79%              |
| <b>Total Equity</b>                   | <u>134,042.25</u>        | <u>129,413.36</u>        | <u>4,628.89</u>        | <u>3.58%</u>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <u><u>165,721.74</u></u> | <u><u>161,092.85</u></u> | <u><u>4,628.89</u></u> | <u><u>2.87%</u></u> |

Approved

# Kelly Ridge Estates Owners' Association

## Profit & Loss Statement

## Budget Comparison

|                               | Mar 2017        | YTD 03/2017      | % of (9 mos) | (9 mos)            | Difference         | Total              |
|-------------------------------|-----------------|------------------|--------------|--------------------|--------------------|--------------------|
|                               |                 |                  | YTD Budget   | YTD Budget         |                    | 2016-17 Budget     |
| <b>Income</b>                 |                 |                  |              |                    |                    |                    |
| ADVERTISING INCOME            | 0.00            | 0.00             | 0%           | 0.00               | -                  | 0.00               |
| DUES INCOME                   | (101.50)        | 37,308.50        | 132%         | 28,293.75          | (9,014.75)         | 37,725.00          |
| HOA DOCUMENT FEE              | 400.00          | 3,350.50         | 149%         | 2,250.00           | (1,100.50)         | 3,000.00           |
| INTEREST - BANK OF THE WEST   | 0.00            | 84.07            | 149%         | 56.25              | (27.82)            | 75.00              |
| LATE CHARGES                  | 0.00            | 5,790.00         | 772%         | 750.00             | (5,040.00)         | 1,000.00           |
| Returned Check Charges        | 0.00            | 15.00            | 100%         | 0.00               | (15.00)            | 0.00               |
| TRANSFER FEE INCOME           | 200.00          | 1,700.00         | 0%           | 0.00               | (1,700.00)         | 0.00               |
| UNCLASSIFIED INCOME           | 20.00           | 20.00            | 2%           | 1,200.00           | 1,180.00           | 1,600.00           |
| WEED ABATEMENT INCOME         | 5,175.00        | 9,500.00         | 106%         | 9,000.00           | (500.00)           | 12,000.00          |
| <b>Total Income</b>           | <b>5,693.50</b> | <b>57,768.07</b> | <b>139%</b>  | <b>41,550.00</b>   | <b>(16,218.07)</b> | <b>55,400.00</b>   |
| <b>Expense</b>                |                 |                  |              |                    |                    |                    |
| ACCOUNTING                    | 0.00            | 4,140.13         | 149%         | 2,775.00           | (1,365.13)         | 3,700.00           |
| ADVERTISING EXPENSE           | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| ANNUAL DUES / FEES INVOICES   | 0.00            | 906.63           | 101%         | 900.00             | (6.63)             | 1,200.00           |
| ANNUAL MEETING EXPENSE        | 0.00            | 0.00             | 0%           | 225.00             | 225.00             | 300.00             |
| APRIL BALLOT MAILING          | 0.00            | 509.40           | 68%          | 750.00             | 240.60             | 1,000.00           |
| AUTO/MILEAGE EXPENSE          | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| BANK FEES                     | 0.00            | 130.00           | 173%         | 75.00              | (55.00)            | 100.00             |
| CLERICAL                      | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| COMMUNITY SERVICE             | 0.00            | 0.00             | 0%           | 37.50              | 37.50              | 50.00              |
| COMPUTER SUPPORT              | 0.00            | 0.00             | 0%           | 18.75              | 18.75              | 25.00              |
| COMPUTERS & ACCESSORIES       | 0.00            | 0.00             | 0%           | 18.75              | 18.75              | 25.00              |
| DIRECTORS EXPENSE             | 0.00            | 0.00             | 0%           | 18.75              | 18.75              | 25.00              |
| INSURANCE                     | 503.00          | 503.00           | 16%          | 3,187.50           | 2,684.50           | 4,250.00           |
| Interest Expense              | 0.00            | 45.89            | 0%           | 0.00               | (45.89)            | 0.00               |
| LEGAL                         | 0.00            | 175.00           | 16%          | 1,125.00           | 950.00             | 1,500.00           |
| MEALS & ENTERTAINMENT         | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| NEWSLETTER EXPENSES           | 0.00            | 1,783.21         | 108%         | 1,650.00           | (133.21)           | 2,200.00           |
| Bad Debt                      | 60.00           | 987.47           | 0%           | 0.00               | (987.47)           | 0.00               |
| NUISANCE ABATEMENT & SERVICES | 0.00            | 0.00             | 0%           | 7,500.00           | 7,500.00           | 10,000.00          |
| OFFICE SUPPLIES               | 739.79          | 3,117.82         | 831%         | 375.00             | (2,742.82)         | 500.00             |
| P.O.BOX RENT                  | 0.00            | 130.00           | 112%         | 116.25             | (13.75)            | 155.00             |
| PAYROLL EXPENSES              | 1,230.13        | 9,446.42         | 97%          | 9,750.00           | 303.58             | 13,000.00          |
| POSTAGE                       | 11.91           | 483.68           | 64%          | 750.00             | 266.32             | 1,000.00           |
| PRINTING                      | 0.00            | 0.00             | 0%           | 37.50              | 37.50              | 50.00              |
| RECORDING FEES                | 0.00            | 0.00             | 0%           | 75.00              | 75.00              | 100.00             |
| RENT EXPENSE                  | 425.00          | 3,825.00         | 100%         | 3,825.00           | 0.00               | 5,100.00           |
| REPAIR AND MAINTENANCE        | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| SECURITY PATROLS              | 0.00            | 0.00             | 0%           | 9,900.00           | 9,900.00           | 13,200.00          |
| SIGNAGE                       | 0.00            | 196.31           | 26%          | 750.00             | 553.69             | 1,000.00           |
| <b>SPECIAL EVENTS</b>         |                 |                  |              |                    |                    |                    |
| CHRISTMAS TREE LIGHTING       | 0.00            | 331.40           | 147%         | 225.00             | (106.40)           | 300.00             |
| CLEANUP PROJECT FALL          | 0.00            | 1,371.28         | 609%         | 225.00             | (1,146.28)         | 300.00             |
| CLEAN-UP PROJECT SPRING       | 0.00            | 0.00             | 0%           | 225.00             | 225.00             | 300.00             |
| FOOD DRIVE                    | 0.00            | 0.00             | 0%           | 18.75              | 18.75              | 25.00              |
| MEET & GREETES                | 0.00            | 0.00             | 0%           | 225.00             | 225.00             | 300.00             |
| SPECIAL EVENTS - Other        | 0.00            | 395.14           | 527%         | 75.00              | (320.14)           | 100.00             |
| <b>TOTAL SPECIAL EVENTS</b>   | <b>0.00</b>     | <b>2,097.82</b>  | <b>211%</b>  | <b>993.75</b>      | <b>(1,104.07)</b>  | <b>1,325.00</b>    |
| Federal Income Tax            | (2,151.00)      | -448.00          | 0%           | 375.00             | 823.00             | 500.00             |
| State Income Tax              | 0.00            | 1,856.00         | 0%           | 375.00             | (1,481.00)         | 500.00             |
| Tax Penalties for Late Filing | 0.00            | 566.12           | 0%           | 0.00               | (566.12)           | 0.00               |
| Tax Preparation               | 0.00            | 1,603.36         | 0%           | 0.00               | (1,603.36)         | 0.00               |
| TAXES - Other                 | 0.00            | 35.00            | 0%           | 0.00               | (35.00)            | 0.00               |
| TELEPHONE & INTERNET          | 245.78          | 1,592.14         | 125%         | 1,275.00           | (317.14)           | 1,700.00           |
| UNCOLLECTABLE DEBT            | 0.00            | 0.00             | 0%           | 375.00             | 375.00             | 500.00             |
| WEB SITE                      | 0.00            | 0.00             | 0%           | 0.00               | 0.00               | 0.00               |
| WEED ABATEMENT EXPENSE        | 0.00            | 0.00             | 0%           | 9,000.00           | 9,000.00           | 12,000.00          |
| <b>Total Expense</b>          | <b>1,064.61</b> | <b>33,682.40</b> | <b>60%</b>   | <b>56,253.75</b>   | <b>22,571.35</b>   | <b>75,005.00</b>   |
| <b>NET INCOME</b>             | <b>4,628.89</b> | <b>24,085.67</b> |              | <b>(14,703.75)</b> | <b>(38,789.42)</b> | <b>(19,605.00)</b> |

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## Financial Commentary for the month ending 03/31/17

The Balance Sheet and Income Statements are financial snapshots of an entity as of a specific date. For membership reporting, we use the accrual basis of accounting and for tax purposes we use the cash basis of accounting. The cash basis year to date net income as of March 31 2017 was \$11,192.14.

### **Balance Sheet:**

- Cash on hand is the most important item of any entity. KREOA's increased from the previous month by \$8,762.30 or 6.54%. The association took in \$12,051 in deposits which came from dues, weed cutting, HOA and Transfer fees. Our largest property holder prepaid their upcoming weed abatement which alone resulted in a payment of \$5,015.00. The deposits were offset by outlays of cash for office supplies which was mainly composed of purchasing a new security door and locks, office clock, ceiling light tubes, a wall cork board and printer cartridge \$739.79, rent \$425, admin salaries \$1,230.13, as well as other operating expenses. The total cash available for our HOA is \$111,081.62. Unit 7 money does not belong to KREOA and is not available for our association to use. After consulting with a CPA and the KREOA lawyer, it was deemed inappropriate to continue listing Unit 7 money on the KREOA balance sheet and will be removed for next month's financial statements. A separate company has been established in our accounting software for Unit 7 business. Unit 7 activity will be combined with KREOA activity at year end for tax reporting purposes which includes reporting their road maintenance assessments.
- Total A/R decreased by \$2,351.50 or 9.59%. This is due to members remitting payments. Although this is progress from the November ending balance of 27,581.97, the outstanding A/R balances are still much too high. Efforts will continue to bring this balance down and hopefully members will come forward to pay off their balances. Starting this month, the board will be reviewing extremely past due balances on membership dues and weed abatement in order to start the process of placing liens on delinquent properties.
- Prepaid Postage decreased slightly on undeliverable mail \$11.91 or 13.61%. Un-deposited Funds decreased \$1,770.00 or 51.85% which are deposits or adjustments to current or previous year balances that haven't yet been applied to A/R invoices.
- Liabilities had no change

- Equity had a net income change of \$4,628.89 or 23.79%. This is due to some expenses not being recorded as of the end of the current month.

### **Income Statement: Actual Costs versus Budget**

- I have changed the way in which past analysis was done on the Actual Cost versus Budget P & L. Instead of a 9 month actual cost versus a 12-month budget, I am doing a 9 month actual cost versus a 9 month budget in order to get an “apples to apples” analysis.
- Most of our revenue is recorded at the beginning of our fiscal year. A timing difference continues to affect the actual versus budget amount (month over month) until we get to the end of the year. I expect our total revenue will surpass the total budgeted amount by the end of our fiscal year in June. The reason for this is that the budget for the year has understated the income from Late Fees, HOA Document Fees and Transfer Fees. Also, the weed abatement currently listed \$9,500.00 includes \$4,325 which relates to the previous year’s weed abatement program (2015/2016) so if the current years weed abatement budget amount of \$12,000 materializes, weed abatement income could be over \$16,000. It is important to note that the voluntary weed abatement work should be a priority in getting completed in the same fiscal year as when the voluntary weed abatement revenue is received to avoid possibly paying taxes.
- For the month, a member’s dues were adjusted off by (\$101.50). The Unclassified Income is \$20. This account is used to record deposits with missing information on how to apply it to Accounts Receivable balances. HOA Document Fees and Transfer Fee income were up over February’s numbers by a net of \$325.00 and are higher than their year to date budgeted amounts. Weed abatement was up \$500 over the YTD budget as payments for this program have started to arrive.
- Accounting expense was missing this month. Several expenses were not booked by our outside accounting firm this month.
- April Ballot and Newsletter expense was zero this month – This is the postage, paper and printing costs for electing new board members and notifying members of upcoming events. Costs for this will be recorded in April when the ballots were sent out.
- Insurance was \$503.00 which was for workman’s compensation on our office manager.
- Bad Debt \$60.00 – These are receivables that have been written off due to the owners selling their primary residences and we failed to collect on past due amounts when the CCR and Bylaws were requested by an escrow company.
- Office Supplies and Postage \$739.79 & \$11.91 – As previously mentioned, we spent money purchasing a new security door and locks, office clock, ceiling light tubes, a wall cork board and printer cartridge. The postage used was for returned letters.
- Rent Expense \$425 – Same amount every month.
- Payroll Expense \$1,230.13 – Increased over last month as our office manager put in more hours at the office.

- Tax Related Items \$2,151.00 – State of California sent us a refund. The IRS sent back our initial tax payment of \$2,151.00 with no reason given then they billed us for a higher amount \$ 2,161.00 which has not yet been recorded by our outside accountant. I will follow up to see what the problem is.
- Telephone and Internet \$245.78.00 – Set up costs for switching to Comcast high speed internet.
- YTD Net Income \$24,085.67 – As previously mentioned there was a large weed abatement payment this month of \$5,015.00 so be aware this large weed abatement payment will be offset by a payment to a vendor who will be doing the weed cutting. There were also several missing expense items totaling at least \$3,000.00 this month. Taking these 2 items out of the current net income in addition to another upcoming liability insurance payment of at least \$3,000.00 and ballot expenses of \$1,500.00 you arrive at an adjusted net income of about \$11,500.00 for the year with 3 months remaining. It is possible we will lose money this year.

#### **Completed Treasury Items:**

- Purchase of a security door and locks to help protect association assets.
- Purchase of an outdoor locking mail box for members to drop correspondence in.
- Larger capacity printer has been installed and now in conjunction with the highspeed internet, the latest round of statements all printed out and were mailed.
- A new bulletin board was installed for notices and business cards.
- Unit 7 agreement has been signed and the new Unit 7 company has been established.

#### **Pending Treasury Items:**

- Starting collection calls to members for overdue payments and reducing A/R.
- Writing procedures for the Treasury function. Several have been written.
- Preparing a budget for 2017/2018 fiscal year.
- Preparing for 2017 weed abatement program
- Statements to be sent out in July 2017.
- Tax returns to be completed in July 2017.

Regards,

Tim Oertli

Treasurer